

# Fiscal Note

*Fiscal Services Division*



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**SF 488** – Air Quality Fee Fund (LSB2231SZ)

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Fiscal Note Version – As amended by **S-3115**

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## **Description**

**Senate File 488**, as amended by **S-3115**, establishes fees for air quality programs in the Department of Natural Resources (DNR) and specifies the Funds where the fees are deposited. The Bill also specifies what type of expenditures can be paid for with each type of fee. The DNR will meet annually with stakeholder groups to review the revenue and expense for each Fund to determine the next year's budget. Other money, such as appropriations, may also be deposited in the Funds. The funds include:

- Air Contaminant Source Fund
  - Emission Fees Account (or Title V emission fee) – maximum cap is \$8,250,000.
  - Operating Permit Application and Emission Fees Account – maximum cap is \$1,250,000.
- Air Quality Fund
  - Major Source Account – maximum cap is \$1,500,000.
  - Minor Source Account – maximum cap is \$250,000.
  - Asbestos Account – maximum cap is \$450,000.

## **Background**

Currently, the DNR operates the federal Title V Air Operating Permit Program, established under the Clean Air Act, as amended in 1990, and administered by the federal Environmental Protection Agency (EPA). The EPA has approved the DNR to issue federal Title V Operating Permits and to collect annual emission fees. The Emission Fees or Title V fees are deposited in the Air Contaminant Source Fund.

## **Assumptions**

- The Emission Fee is currently being collected and an entire year of fees will be used for FY 2016 revenue estimates.
- The new fees will be established by January 1, 2016, and a half year of fees will be used for FY 2016 revenue estimates.
- Funds cannot be transferred between funds or accounts.
- The DNR will continue to allocate \$704,000 from the General Fund appropriation for Air Quality Programs.
- The DNR will continue to receive a \$425,000 appropriation from the Environment First Fund.
- Federal funds will continue at \$1.7 million per year.
- The estimate includes a 1.90% increase per year for revenue and expenditures.
- The DNR will hire 3.00 FTE positions for the following:
  - 1.00 FTE position for FY 2017 through FY 2020 to assist with the issuance of operating permits.
  - 2.00 FTE positions for FY 2017 to assist with the Asbestos Program.

## **Fiscal Impact**

The DNR provided a detailed 10-year projection of revenue and expenditures for Air Quality Programs (refer to **Appendix A**); however, below is a five-year summary:

<b>Air Quality Proposed Budget</b>					
<b>Revenue</b>					
<b>Major Source Revenue</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Emission Fees (Title V Fee)	\$ 7,970,200	\$ 7,552,600	\$ 7,745,500	\$ 7,938,500	\$ 8,136,300
Balance Carryforward and Interest	715,000	12,100	10,600	12,900	13,900
Emission Fees Application & Permit Review	424,560	1,201,600	1,222,200	1,243,100	1,264,400
Major Source Application & Permit Review	526,550	1,073,100	1,093,500	1,114,300	1,135,400
Prevent. Significant Det. (PSD) App. & Permit Rev.	169,550	345,500	352,100	358,800	365,600
<b>Major Source Revenue</b>	<b>\$ 9,805,860</b>	<b>\$ 10,184,900</b>	<b>\$ 10,423,900</b>	<b>\$ 10,667,600</b>	<b>\$ 10,915,600</b>
<b>Minor Source Revenue</b>					
Minor Source Fees	\$ 113,640	\$ 231,600	\$ 236,000	\$ 240,500	\$ 245,000
Federal Grant Section 105	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Federal Grant Section 103	472,600	472,600	472,600	472,600	472,600
Environment First Fund Appropriation	425,000	425,000	425,000	425,000	425,000
General Fund Appropriation	704,300	704,300	704,300	704,300	704,300
Solid Waste Funding/Asbestos Fees	250,000	390,000	397,400	405,000	412,700
<b>Total Minor Source Revenue</b>	<b>\$ 3,215,540</b>	<b>\$ 3,473,500</b>	<b>\$ 3,485,300</b>	<b>\$ 3,497,400</b>	<b>\$ 3,509,600</b>
<b>Total Revenue</b>	<b>\$ 13,021,400</b>	<b>\$ 13,658,400</b>	<b>\$ 13,909,200</b>	<b>\$ 14,165,000</b>	<b>\$ 14,425,200</b>
<b>Dollar Change</b>		<b>\$ 637,000</b>	<b>\$ 250,800</b>	<b>\$ 255,800</b>	<b>\$ 260,200</b>
<b>% Change</b>		<b>4.89%</b>	<b>1.84%</b>	<b>1.84%</b>	<b>1.84%</b>
<b>Expense</b>					
<b>Major Source Expense</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Operating Permit Expense	\$ 5,040,800	\$ 5,256,600	\$ 5,354,400	\$ 5,453,800	\$ 5,555,000
Construction Permit Expense	1,802,600	1,836,900	1,871,700	1,907,300	1,943,500
PSD Expense	1,185,800	1,208,300	1,231,200	1,254,600	1,278,500
<b>Total Major Source Expense</b>	<b>\$ 8,029,200</b>	<b>\$ 8,301,800</b>	<b>\$ 8,457,300</b>	<b>\$ 8,615,700</b>	<b>\$ 8,777,000</b>
<b>Minor Source, Asbestos, &amp; Core Activities Expense</b>					
Minor Source	\$ 983,900	\$ 1,002,600	\$ 1,021,600	\$ 1,041,000	\$ 1,060,600
Asbestos	111,800	390,000	397,400	405,000	412,700
Core Activities	3,896,500	3,964,000	4,032,900	4,103,300	4,174,900
<b>Total Minor Source, Asbestos &amp; Core</b>	<b>\$ 4,992,200</b>	<b>\$ 5,356,600</b>	<b>\$ 5,451,900</b>	<b>\$ 5,549,300</b>	<b>\$ 5,648,200</b>
<b>Total Expenditures</b>	<b>\$ 13,021,400</b>	<b>\$ 13,658,400</b>	<b>\$ 13,909,200</b>	<b>\$ 14,165,000</b>	<b>\$ 14,425,200</b>
<b>Dollar Change</b>		<b>\$ 637,000</b>	<b>\$ 250,800</b>	<b>\$ 255,800</b>	<b>\$ 260,200</b>
<b>% Change</b>		<b>4.89%</b>	<b>1.84%</b>	<b>1.84%</b>	<b>1.84%</b>

## **Source**

Department of Natural Resources

/s/ Holly M. Lyons

April 13, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

## Appendix A

Air Quality Proposed Budget										
Major Source Revenue	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Emission Fees (Title V Fee)	\$ 7,970,200	\$ 7,552,600	\$ 7,745,500	\$ 7,938,500	\$ 8,136,300	\$ 8,343,500	\$ 8,545,900	\$ 8,757,800	\$ 8,974,400	\$ 9,191,000
Balance Carryforward and Interest	715,000	12,100	10,600	12,900	13,900	9,700	13,800	12,300	10,200	12,200
Emission Fees Application & Permit Review	424,560	1,201,600	1,222,200	1,243,100	1,264,400	1,166,100	1,188,300	1,210,900	1,233,900	1,257,300
Major Source Application & Permit Review	526,550	1,073,100	1,093,500	1,114,300	1,135,400	1,157,000	1,179,000	1,201,400	1,224,200	1,247,400
*PSD Application & Permit Review	169,550	345,500	352,100	358,800	365,600	372,600	379,700	387,000	394,400	401,900
<b>Major Source Revenue</b>	<b>\$ 9,805,860</b>	<b>\$ 10,184,900</b>	<b>\$ 10,423,900</b>	<b>\$ 10,667,600</b>	<b>\$ 10,915,600</b>	<b>\$ 11,048,900</b>	<b>\$ 11,306,700</b>	<b>\$ 11,569,400</b>	<b>\$ 11,837,100</b>	<b>\$ 12,109,800</b>
<b>Minor Source Revenue</b>										
Minor Source Fees	\$ 113,640	\$ 231,600	\$ 236,000	\$ 240,500	\$ 245,000	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,100	\$ 269,100
Federal Grant Section 105	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Federal Grant Section 103	472,600	472,600	472,600	472,600	472,600	472,600	472,600	472,600	472,600	472,600
Environment First Fund Appropriation	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000
General Fund (GF) Appropriation	704,300	704,300	704,300	704,300	704,300	704,300	704,300	704,300	704,300	704,300
Solid Waste Funding/Asbestos Fees	250,000	390,000	397,400	405,000	412,700	420,500	428,500	436,600	444,900	453,400
<b>Total Minor Source Revenue</b>	<b>\$ 3,215,540</b>	<b>\$ 3,473,500</b>	<b>\$ 3,485,300</b>	<b>\$ 3,497,400</b>	<b>\$ 3,509,600</b>	<b>\$ 3,522,000</b>	<b>\$ 3,534,800</b>	<b>\$ 3,547,700</b>	<b>\$ 3,560,900</b>	<b>\$ 3,574,400</b>
<b>Total Revenue</b>	<b>\$ 13,021,400</b>	<b>\$ 13,658,400</b>	<b>\$ 13,909,200</b>	<b>\$ 14,165,000</b>	<b>\$ 14,425,200</b>	<b>\$ 14,570,900</b>	<b>\$ 14,841,500</b>	<b>\$ 15,117,100</b>	<b>\$ 15,398,000</b>	<b>\$ 15,684,200</b>
<b>Operating Permit Expense</b>										
Application Review	\$ 1,061,400	\$ 1,081,600	\$ 1,102,200	\$ 1,123,100	\$ 1,144,400	\$ 1,166,100	\$ 1,188,300	\$ 1,210,900	\$ 1,233,900	\$ 1,257,300
Additional Staff	0	120,000	120,000	120,000	120,000	0	0	0	0	0
Emissions Inventory Questionnaire	390,200	397,600	405,200	412,900	420,700	428,700	436,800	445,100	453,600	462,200
**UNI -Small Business Assist.	272,800	278,000	283,300	288,700	294,200	299,800	305,500	311,300	317,200	323,200
Field Inspection	361,300	368,200	375,200	382,300	389,600	397,000	404,500	412,200	420,000	428,000
Compliance	417,400	425,300	433,400	441,600	450,000	458,600	467,300	476,200	485,200	494,400
Local Program Implementation	1,443,900	1,471,300	1,499,300	1,527,800	1,556,800	1,586,400	1,616,500	1,647,200	1,678,500	1,710,400
Rules, Budgets, and Contracts	320,500	326,600	332,800	339,100	345,500	352,100	358,800	365,600	372,500	379,600
State Implementation Plan (SIP) Activities	353,900	360,600	367,500	374,500	381,600	388,900	396,300	403,800	411,500	419,300
Legal Services	61,300	62,500	63,700	64,900	66,100	67,400	68,700	70,000	71,300	72,700
Management, Data Support, & Admin.	358,100	364,900	371,800	378,900	386,100	393,400	400,900	408,500	416,300	424,200
<b>Total Operating Permit Expense</b>	<b>\$ 5,040,800</b>	<b>\$ 5,256,600</b>	<b>\$ 5,354,400</b>	<b>\$ 5,453,800</b>	<b>\$ 5,555,000</b>	<b>\$ 5,538,400</b>	<b>\$ 5,643,600</b>	<b>\$ 5,750,800</b>	<b>\$ 5,860,000</b>	<b>\$ 5,971,300</b>
<b>Construction Permit Expense</b>										
Application Review & Issuance	\$ 951,900	\$ 970,000	\$ 988,400	\$ 1,007,200	\$ 1,026,300	\$ 1,045,800	\$ 1,065,700	\$ 1,085,900	\$ 1,106,500	\$ 1,127,500
Modeling	101,200	103,100	105,100	107,100	109,100	111,200	113,300	115,500	117,700	119,900
Field Inspection	120,400	122,700	125,000	127,400	129,800	132,300	134,800	137,400	140,000	142,700
Compliance	187,800	191,400	195,000	198,700	202,500	206,300	210,200	214,200	218,300	222,400
Rules, Budgets, and Contracts	141,000	143,700	146,400	149,200	152,000	154,900	157,800	160,800	163,900	167,000
Legal Services	42,500	43,300	44,100	44,900	45,800	46,700	47,600	48,500	49,400	50,300
Management, Data Support, & Admin.	257,800	262,700	267,700	272,800	278,000	283,300	288,700	294,200	299,800	305,500
<b>Total Construction Permit Expense</b>	<b>\$ 1,802,600</b>	<b>\$ 1,836,900</b>	<b>\$ 1,871,700</b>	<b>\$ 1,907,300</b>	<b>\$ 1,943,500</b>	<b>\$ 1,980,500</b>	<b>\$ 2,018,100</b>	<b>\$ 2,056,500</b>	<b>\$ 2,095,600</b>	<b>\$ 2,135,300</b>

## Appendix A

	Air Quality Proposed Budget									
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>PSD Permit Expense</b>										
Application Review & Issuance	\$ 237,900	\$ 242,400	\$ 247,000	\$ 251,700	\$ 256,500	\$ 261,400	\$ 266,400	\$ 271,500	\$ 276,700	\$ 282,000
Modeling	101,200	103,100	105,100	107,100	109,100	111,200	113,300	115,500	117,700	119,900
Field Inspection	301,100	306,800	312,600	318,500	324,600	330,800	337,100	343,500	350,000	356,700
Compliance	104,300	106,300	108,300	110,400	112,500	114,600	116,800	119,000	121,300	123,600
Rules, Budgets, and Contracts	141,000	143,700	146,400	149,200	152,000	154,900	157,800	160,800	163,900	167,000
Legal Services	42,500	43,300	44,100	44,900	45,800	46,700	47,600	48,500	49,400	50,300
Management, Data Support, & Admin.	257,800	262,700	267,700	272,800	278,000	283,300	288,700	294,200	299,800	305,500
<b>Subtotal</b>	<b>\$ 1,185,800</b>	<b>\$ 1,208,300</b>	<b>\$ 1,231,200</b>	<b>\$ 1,254,600</b>	<b>\$ 1,278,500</b>	<b>\$ 1,302,900</b>	<b>\$ 1,327,700</b>	<b>\$ 1,353,000</b>	<b>\$ 1,378,800</b>	<b>\$ 1,405,000</b>
<b>Total Major Source Expense</b>	<b>\$ 8,029,200</b>	<b>\$ 8,301,800</b>	<b>\$ 8,457,300</b>	<b>\$ 8,615,700</b>	<b>\$ 8,777,000</b>	<b>\$ 8,821,800</b>	<b>\$ 8,989,400</b>	<b>\$ 9,160,300</b>	<b>\$ 9,334,400</b>	<b>\$ 9,511,600</b>
<b>Minor Source</b>										
Application Review & Issuance -- Fees	\$ 166,600	\$ 169,800	\$ 173,000	\$ 176,300	\$ 179,600	\$ 183,000	\$ 186,500	\$ 190,000	\$ 193,600	\$ 197,300
Application Review & Issuance -- GF	249,900	254,600	259,500	264,400	269,400	274,500	279,700	285,000	290,400	295,900
Modeling -- Fees	60,680	61,800	63,000	64,200	65,400	66,600	67,900	69,200	70,500	71,800
Modeling -- GF	91,020	92,800	94,500	96,300	98,100	100,000	101,900	103,800	105,800	107,800
Field Inspection	180,700	184,100	187,600	191,200	194,800	198,500	202,300	206,100	210,000	214,000
Compliance	160,700	163,800	166,900	170,100	173,300	176,600	180,000	183,400	186,900	190,500
Legal Services	17,000	17,300	17,600	17,900	18,200	18,500	18,900	19,300	19,700	20,100
Management, Data Support, & Admin.	57,300	58,400	59,500	60,600	61,800	63,000	64,200	65,400	66,600	67,900
<b>Subtotal</b>	<b>\$ 983,900</b>	<b>\$ 1,002,600</b>	<b>\$ 1,021,600</b>	<b>\$ 1,041,000</b>	<b>\$ 1,060,600</b>	<b>\$ 1,080,700</b>	<b>\$ 1,101,400</b>	<b>\$ 1,122,200</b>	<b>\$ 1,143,500</b>	<b>\$ 1,165,300</b>
<b>Asbestos Expense</b>	<b>\$ 111,800</b>	<b>\$ 390,000</b>	<b>\$ 397,400</b>	<b>\$ 405,000</b>	<b>\$ 412,700</b>	<b>\$ 420,500</b>	<b>\$ 428,500</b>	<b>\$ 436,000</b>	<b>\$ 444,900</b>	<b>\$ 453,400</b>
<b>Core Activities</b>										
Complaint Response for Area Sources	\$ 180,700	\$ 184,100	\$ 187,600	\$ 191,200	\$ 194,800	\$ 198,500	\$ 202,300	\$ 206,100	\$ 210,000	\$ 214,000
Compliance Assistance & Enforcement	68,900	70,200	71,500	72,900	74,300	75,700	77,100	78,600	80,100	81,600
Local Program implementation	335,200	335,200	335,200	335,200	335,200	335,200	335,200	335,200	335,200	335,200
Emissions Inventory Questionnaire	43,400	44,200	45,000	45,900	46,800	47,700	48,600	49,500	50,400	51,400
UNI -Small Business Assist.	90,900	92,600	94,400	96,200	98,000	99,900	101,800	103,700	105,700	107,700
Rules, Budgets, Contracts	16,900	17,200	17,500	17,800	18,100	18,400	18,700	19,100	19,500	19,900
Ambient Monitoring PSD Background	355,900	362,700	369,600	376,600	383,800	391,100	398,500	406,100	413,800	421,700
Ambient Monitoring Population Monitors	2,162,500	2,203,600	2,245,500	2,288,200	2,331,700	2,376,000	2,421,100	2,467,100	2,514,000	2,561,800
Source Oriented Monitors	453,900	462,500	471,300	480,300	489,400	498,700	508,200	517,900	527,700	537,700
SIP Activities	118,000	120,200	122,500	124,800	127,200	129,600	132,100	134,600	137,200	139,800
Legal Services	36,800	37,500	38,200	38,900	39,600	40,400	41,200	42,000	42,800	43,600
Management, Data Support, & Admin.	33,400	34,000	34,600	35,300	36,000	36,700	37,400	38,100	38,800	39,500
<b>Total Core</b>	<b>\$ 3,896,500</b>	<b>\$ 3,964,000</b>	<b>\$ 4,032,900</b>	<b>\$ 4,103,300</b>	<b>\$ 4,174,900</b>	<b>\$ 4,247,900</b>	<b>\$ 4,322,200</b>	<b>\$ 4,398,000</b>	<b>\$ 4,475,200</b>	<b>\$ 4,553,900</b>
<b>Total Minor Source, Asbestos &amp; Core</b>	<b>\$ 4,992,200</b>	<b>\$ 5,356,600</b>	<b>\$ 5,451,900</b>	<b>\$ 5,549,300</b>	<b>\$ 5,648,200</b>	<b>\$ 5,749,100</b>	<b>\$ 5,852,100</b>	<b>\$ 5,956,200</b>	<b>\$ 6,063,600</b>	<b>\$ 6,172,600</b>
<b>Total Expenditures</b>	<b>\$ 13,021,400</b>	<b>\$ 13,658,400</b>	<b>\$ 13,909,200</b>	<b>\$ 14,165,000</b>	<b>\$ 14,425,200</b>	<b>\$ 14,570,900</b>	<b>\$ 14,841,500</b>	<b>\$ 15,116,500</b>	<b>\$ 15,398,000</b>	<b>\$ 15,684,200</b>

\*PSD = Preventive Significant Deterioration

\*\*UNI = University of Northern Iowa